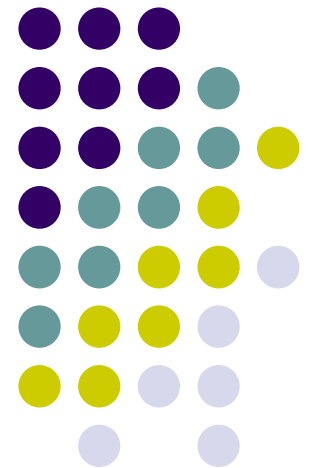


# FRANKLIN COUNTY FALLING SPRING NURSING CENTER

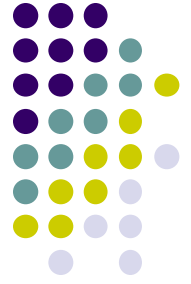
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JUNE 11, 2013 PRESENTATION



## Overview of Falling Spring



- Counties are not required to own or operate a skilled nursing facility.
- Almost 20 years ago, Franklin County contracted the management of Falling Spring to a for-profit entity.
- County-owned skilled nursing home requires county funding contribution, almost every year.
- Counties operate stand alone nursing centers, while the not-for-profit industry offers a spectrum of levels of care for the elderly, which creates a competitive disadvantage for county-owned facilities.
- Approximately ½ of counties in PA have sold, or have not owned or operated, their skilled nursing center.



# Legal Requirement?

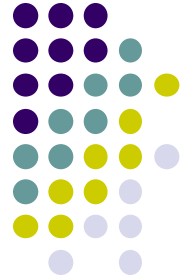
- Counties are not required to provide county-owned or operated health centers, of any kind.
- The County Code requires “care for the indigent”.
- Nearly every legal resident qualifies for medical assistance.
- In recent years, several counties have sold skilled nursing facilities to limit taxpayer obligation and eliminate industry related liability.



# History of Falling Spring

- In the late 1990's, funding for licensed nursing beds changed from expense reimbursement to a prospective payment system, whereby skilled nursing providers are now paid a fixed fee, based upon the level of care provided.
- Prospective payment requires skilled nursing home operators to manage expenses, resident census and resident care acuity within a defined revenue structure.
- Currently, Falling Spring receives most of its funding ("Medical Assistance") from the Commonwealth of PA, based upon the "Acuity" of the residents
- .
- Reimbursement is a function of care provided and the accuracy of the reporting of care.
- Currently, Falling Springs provides 186 licensed skilled beds.

# History of General Fund Contributions



Since 2008, Franklin County has provided more than \$2,000,000 to subsidize Falling Spring, mostly in the form of capital improvements.

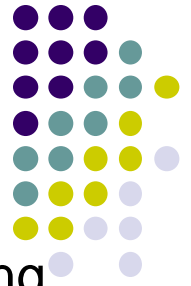
In the past 10 years, Falling Spring has required County funds in 9 of the 10 years.

## Net County Contribution since 2008\*

● 2013	\$928,000 – budgeted
● 2012	\$234,500
● 2011	\$602,500 (includes \$457,000 of bond proceeds)
● 2010	\$163,500
● 2009	\$641,500
● 2008	\$898,500

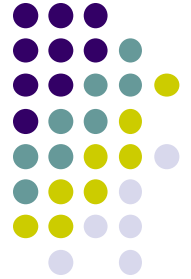
\*Includes debt service not allocated to Falling Spring.

# Status Report in 2013

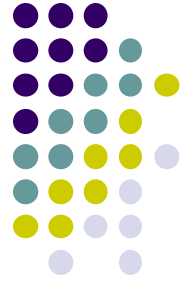


- The County continues to pay debt service related to Falling Spring.
- Falling Spring will, most likely, continue to require capital investment to maintain a marketable facility.
- The County does not compete with the private sector in any other business or service.
- The future of federal and state reimbursement for county-owned skilled nursing facilities is uncertain and expected to be very challenging.
- There are several highly qualified and well regarded potential buyers for Falling Spring.
- Nursing homes have been valued, recently, at \$35,000 to \$50,000 per bed.

# Care for the Elderly?



- Franklin County will not sell Falling Spring to any buyer that does not have an acceptable reputation in the senior living industry and a successful operating history.
- Should a sale occur, the buyer will be subject to certain business conditions, including the care for current residents, maintain Falling Spring as a skilled nursing facility for a defined period of time and to maintain, approximately, the current Medicaid census.
- In addition to the other skilled nursing centers in Franklin County and the facilities in counties contiguous to Franklin County, there are more than enough licensed skilled beds to provide care for the elderly.
- Including the Hagerstown, MD market, there are approximately 80 skilled nursing facilities in the region.



# Competition

- In South central PA, there are 54 skilled nursing centers.
- Some are for profit and some are not-for-profit facilities.

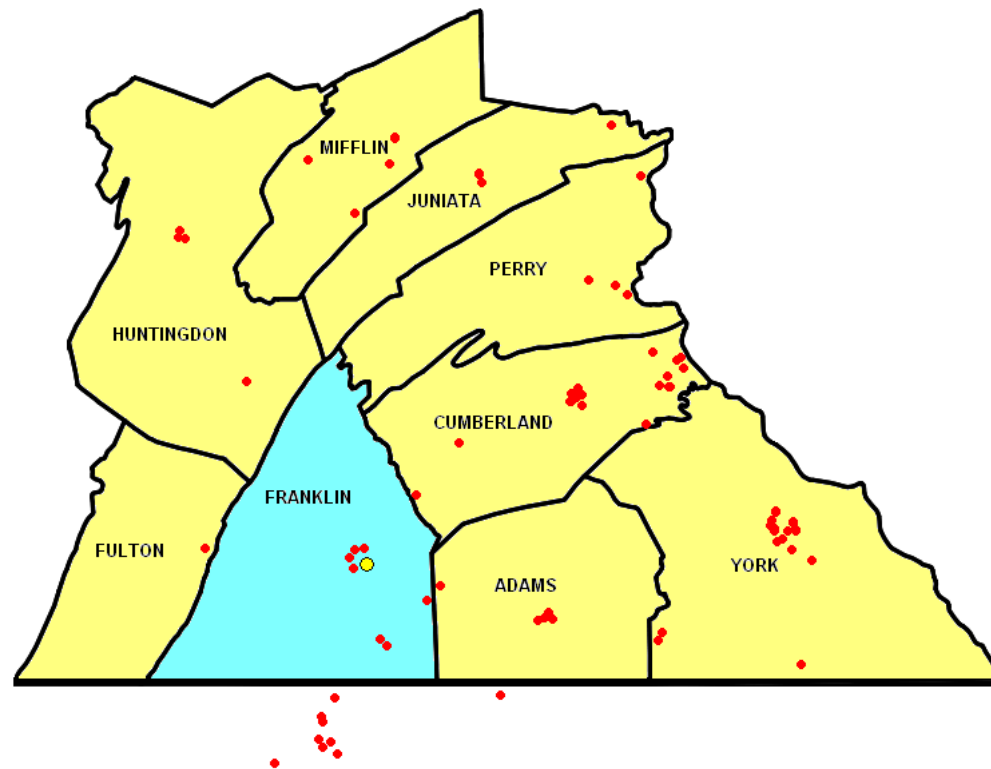
● Adams County	5
● Franklin County*	8
● York County	15
● Dauphin County	9
● Cumberland County	16
● Fulton County	<u>1</u>
● Total	54

\*Includes Falling Spring.

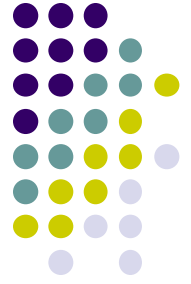
- Including Hagerstown, MD, there are approximately 80 skilled nursing facilities in the region.



# Competition



# County Owned Nursing Homes

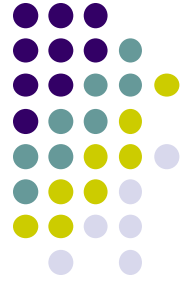


- In addition to the 31 counties that do not own or operate a skilled nursing center, several other counties are evaluating the merits of selling in this market of higher prices for skilled nursing facilities and difficult cash flow.
- In recent years, Adams, Cambria, Carbon, Dauphin, Lancaster, Mercer and Northumberland counties have sold their skilled nursing facilities.



# 31 Counties Do Not Own a SNF

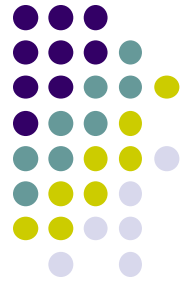
- Blair (sale pending)
- Adams
- Carbon
- Dauphin
- Lancaster
- Northumberland
- Clarion
- Jefferson
- Mercer
- Sullivan
- Columbia
- Pike
- Clearfield
- Elk
- Cameron
- Potter
- Pike
- Tioga
- Philadelphia
- Fayette
- McKean
- Crawford
- Huntingdon
- Mifflin
- Wyoming
- Susquehanna
- Union
- Snyder
- Montour
- Wayne
- Perry



# Future Employment

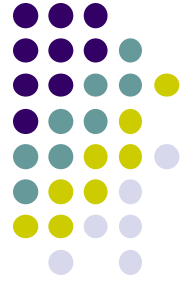
- Given the high demand for qualified and quality nursing staff and the current staffing levels are within industry range of efficiency, we believe, and expect, that an acquirer of Falling Spring would retain nearly all of the qualified and eligible employees.
- We expect employee turnover, due to ownership change, will be very modest.
- For example, in Adams County, 6 employees were terminated after the first year of new ownership and employee turnover has been minimal.
- Most skilled nursing home operators prefer to keep and train the existing staff. Turnover and training are expensive.

# Summary



- The County has provided funds to pay debt service and capital investment to subsidize Falling Spring.
- The skilled nursing industry has changed, resulting in more challenging reimbursement and greater regulation.
- The County is not required to own or operate a skilled nursing center.
- Franklin County does not compete with the private sector in any other industry.
- New owner will commit to maintain a similar medicare/medicaid population.
- New owner will have a good reputation and high quality of service to its residents.
- Recently, skilled nursing homes have sold in the range of \$35,000 to \$50,000 per bed.
- Currently, for-profit providers are actively acquiring skilled nursing centers at attractive prices.
- The County would consider sealed bid offers from for-profit and not-for-profit providers to ensure the best price, balanced with an acceptable, reputable nursing home owner/operator.
- The County is not obligated to sell to the highest bidder and will consider reputation, quality of care and price in making a decision.
- Should a sale be completed, the County will be required to retire the debt associated with Falling Spring.

# Questions



- We will attempt to answer your questions.